**ANALYSIS - Apple's iPad no Kindle-killer - yet**

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By Alexandria Sage and Phil Wahba

SAN FRANCISCO/NEW YORK (Reuters) - The buzz in the gadget world has shifted from Amazon.com to Apple Inc with the launch of its long-awaited iPad tablet, but analysts say the world's largest retailer's Kindle device is safe in its smaller market -- for now.

Industry watchers had speculated for months that Apple's new tablet would take a bite out of market share for the $259 Kindle electronic reader, its best-selling item introduced in late 2007 and touted by Amazon as "the" gadget to buy.

But those fears appeared overblown on Wednesday, with shares of Amazon closing up 2.74 percent at $122.75 on Nasdaq -- perhaps on relief that Amazon's Kindle remained secure.

"They (Amazon) don't have to worry about the market for their product suddenly drying up because everyone's migrating to the iPad," said Forrester Research analyst James McQuivey.

"Amazon has a year's runway left to show that they're going to stay ahead of Apple, and if they don't, by a year from now, Apple will have a few more content solutions in line," he added. "At that point it becomes a threat if Amazon hasn't responded by then."

James Friedland, a Cowen & Co analyst, agreed.

"This doesn't change the game," he said. "At the same time, Apple is a formidable competitor and our view is that over time Apple and Amazon will emerge as the two largest players (in e-books)."

Kindle should remain the device of choice for avid readers, analysts say, due to its e-Ink technology that minimizes eye strain and its already-formidable network of book choices. The iPad is backlit, which makes it more difficult to read.

Amazon Chief Executive Jeff Bezos has long held that the Kindle is intended for reading books, magazines and newspapers and is not a stepping stone to a more full-featured PC-like device that Apple has now delivered.

"Let's face it, Amazon has millions of people buying books from them every day -- they're putting in comments, they're putting in reviews. You're never going to have that at the iBookstore," McQuivey said.

Still, analysts say while Amazon's headstart has allowed it to dodge a bullet for now, it can't afford to rest on its laurels. The Kindle will likely roll out new features like colour, music and social networking functions, they said.

Amazon is due to report fourth-quarter results on Thursday, with analysts expecting a blowout quarter fuelled by market share gains in the competitive holiday period.

MORE MONEY, MORE FUNCTIONS

The arrival of the iPad -- a tablet that can browse the Web, play games and includes a built-in e-reader -- means that casual readers considering an e-reader will likely opt for the slightly more pricey, but more functional device.

"Those fence sitters will go with the iPad," said Mukul Krishna, Frost & Sullivan's global director for digital media.

And many analysts said the "cool" factor of the iPad was a slap in the face to the Kindle.

"It certainly makes the Kindle look dated about 100 years in one fell swoop," said Benjamin Schachter, an analyst with Broadpoint AmTech. "In one minute the Kindle looks obsolete."

The Nook, the newest entrant into the e-reader market from Barnes & Noble, may be the most threatened by the iPad, due to its late launch and recent delivery delays, said industry watchers.

Shares of Barnes & Noble closed down 8.3 percent at $18.07 on the New York Stock Exchange.

It is too early to gauge sales of the iPad and analysts are already at a disadvantage since Amazon does not release Kindle sales figures.

Forrester estimates some 6 million e-readers will be sold in 2010. The research group believes Amazon has thus far sold about 2.5 million Kindles, with a market share of about 55 percent.

So, while Amazon's top spot in the e-reader space may not be threatened by the iPad, the latter's market is potentially far greater, making Apple the ultimate winner.

"We don't have enough data points on this yet. Yes, there is a segment of the market that wants a dedicated e-reader. But how many of them are there? And did it peak out this Christmas?" asked BGC Partners analyst Colin Gillis.

(Writing by Alexandria Sage; Editing by Richard Chang)

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